

**Administration and Budget****Audit Reports**

The Board of Auditors, based in New York, serves as the external auditor for the accounts of the United Nations, its funds and programs, and the International War Crimes Tribunals for Rwanda and the former Yugoslavia. Members are elected to serve six-year, nonrenewable terms. In 2008 the board was composed of the Auditors-General (or national equivalent) of France, China, and South Africa. Additional information about the Board and its mandate is available online at: [www.un.org/auditors/board/](http://www.un.org/auditors/board/).

The Board of Auditors reviewed the financial reports and financial statements of the following organizations which the Fifth Committee considered in the spring and fall of 2008:

- UN peacekeeping operations, July 1, 2006-June 30, 2007
- United Nations
- International Trade Center UNCTAD/WTO
- UN University
- UN Development Program
- UN Children's Fund
- UN Relief and Works Agency for Palestine Refugees in the Near East
- UN Institute for Training and Research
- Voluntary funds administered by the UN High Commissioner for Refugees
- UN Environment Program Fund
- UN Population Fund
- UN Human Settlements Program
- UN Office on Drugs and Crime
- UN Office for Project Services
- International Criminal Tribunal for Rwanda
- International Criminal Tribunal for Former Yugoslavia.

In addition the Fifth Committee considered the following reports:

- Report of the Advisory Committee on Administrative and Budgetary Questions on the report of the Board of Auditors on the accounts of UN peacekeeping operations for the financial period ended June 30, 2007
- Report of the Secretary-General on implementation of the recommendations of the Board of Auditors concerning UN peacekeeping operations for the financial period ended June 30, 2007
- Concise summary of principal findings and conclusions contained in the reports prepared by the Board of Auditors
- Reports of the Secretary-General on the implementation of the recommendations of the Board of Auditors on the accounts of the

United Nations for the biennium ended December 31, 2007, on the capital master plan for the year ended December 31, 2007, and on the financial statements of the funds and programs of the United Nations for the financial period ended December 31, 2007

- Report of the Advisory Committee on Administrative and Budgetary Questions.

Effective oversight such as that performed by the Board of Auditors can make UN activities stronger. Recovered resources can be reused, inefficient practices can be terminated, and culpable officials can be held accountable. During the Fifth Committee discussions of this agenda item, the U.S. Delegate commended the Board for its helpful assessment of the financial statements and overview of key financial and management issues faced by UN organizations. The U.S. Delegate also stressed the importance of improving the rate of implementation of the Board's recommendations to achieve greater efficiencies in the work of the entities audited and to promote the effective use of member state resources. The U.S. Delegate expressed gratitude for progress made in the implementation of audit recommendations by the Secretariat, which has increased from 26 percent to over 68 percent since the past biennium. The United States expects that this trend will continue. Regarding the Board's review of the Office of Internal Oversight Services (OIOS), the United States was disappointed to learn that OIOS has lagged significantly in completing its planned assignments.

General Assembly Resolution 62/223 B (July 21) and Resolution 63/246 (December 24) were both adopted by consensus. These resolutions endorsed the recommendations of the Board of Auditors and the Advisory Committee on Administrative and Budgetary Questions (ACABQ) in their respective reports. The General Assembly called on the Secretary-General (especially related to peacekeeping operations) and the executive heads of the UN funds and programs to hold program managers accountable for the timely implementation of recommendations. Resolution 63/246 also called for the Secretary-General to provide explanations for delays as well as a timeline for the full implementation of Board recommendations.

## Budget

During 2008 the General Assembly took several actions relating to the UN program budget for the biennium 2008-2009. In April the General Assembly adopted by consensus Resolution 62/245 approving additional funding for the 2008-2009 biennium budget in the amount of \$36.25 million. Most of this increase was for additional 2008 costs related to special political missions. This additional funding provided the resources needed for the Special Envoy of the Secretary-General for the Lord's Resistance Army-affected areas (Uganda, Congo, and Southern Sudan), the UN Representative to the International Advisory and Monitoring Board (Iraq), the Office of the Special Envoy of the Secretary-General for the Future Status Process for Kosovo, the UN Mission in Nepal (UNMIN), and the UN Political Office for Somalia (UNPOS).

In accordance with UN budget procedures, revisions to the 2008-2009 budget were considered by the General Assembly at its 63rd session in autumn 2008. This included review of the Secretary-General's first budget performance report for the biennium and updated requirements due to actions taken by UN governing bodies. In December the General Assembly adopted by consensus Resolution 63/264 approving a revised biennial budget of \$4.86 billion. This was the most important action taken on the UN budget during the year. The adopted revised budget for 2008-2009 reflects a 16.61 percent increase over the initial budget of \$4.17 billion adopted in late 2007. This increase is primarily the result of the approval of several budgetary "add ons" that were proposed but not acted on when the initial budget was approved in December 2007. The so-called "add-ons" included reform initiatives and restructuring proposals, plus further funding for special political missions.

The General Assembly, through Resolutions 63/261 and 63/262, moved forward on key reforms in two areas: strengthening the Department of Political Affairs, especially in mediation and electoral assistance; and creating and implementing a new information and communications technology system throughout the organization.

The General Assembly also approved other critical reforms such as the overhaul of the organization's internal justice system for resolving employment-related disputes through Resolution 63/253 and adoption of a new human resource contractual regime to enhance the United Nations' ability to recruit and retain staff in the field (Resolution 63/250).

The General Assembly further approved the strengthening of the UN development pillar through Resolution 63/260, with a particular focus on the regional economic commissions.

The General Assembly also adopted by consensus Resolution 63/263, approving budgets for 27 special political missions in the amount of \$429.5 million for 2009, the largest add-on to the 2008-2009 budget. Also in relation to special political missions, the General Assembly approved funding for design activities related to construction of the UN integrated compound in Baghdad. A decision on funding for the construction will be taken up in 2009.

## **Capital Master Plan**

The UN Capital Master Plan (CMP) consists of full renovation of the UN Headquarters complex in New York. The UN facilities, the majority of which are 55 years old, are not compliant with building codes for fire and life safety. They also are energy inefficient and do not meet modern security requirements. The proposal for the CMP was first introduced by the UN Secretary-General in 2000 and endorsed in principle by the General Assembly in 2002 through Resolution 57/292. By Resolutions 60/282 and 61/251 (2006), the General Assembly approved a project implementation strategy with an expected completion date of 2014 and a budget of approximately \$1.9 billion. By Resolution 62/87 (2007), a decision was reached to change the construction strategy to an accelerated approach that consists of vacating and renovating the Secretariat building in one phase, rather than multiple phases as

planned under the previous strategy. This new strategy has the benefit of shortening the overall construction schedule and reducing some of the risks on the project associated with renovating a building that is still partially occupied. Changing the renovation strategy has been estimated to save \$30 million.

In 2008 construction began on the temporary building on the North Lawn, which will house conference and office space during the construction phase. In addition, following approval by the General Assembly, the Office of the Capital Master Plan undertook a value engineering exercise in an effort to reduce costs. As a result the United Nations projected a reduction in cost overruns of approximately \$100 million, bringing the revised estimate for overruns to \$97.5 million. As the Office of the Capital Master Plan began procuring additional construction services in 2008, it was evident the bidding climate was favorable given the economic conditions and the downturn in the construction industry in New York City. During the year progress was also made on the project in relation to blast protection and sustainable design. The sustainable-design components of the project are aimed at increasing efficiency in building systems and reducing energy and water consumption.

The updated information provided by the Office of the Capital Master Plan on the status of project execution and project costs generated discussion among members about how best to continue to keep the project on track. Although there were no decisions taken by the General Assembly in 2008, the United States continued to press the United Nations to contain costs on the project as much as possible and to meet member state expectations that the approved project budget would be maintained.

## **Committee for Program and Coordination**

The Committee for Program and Coordination (CPC) is the main subsidiary organ of the Economic and Social Council (ECOSOC) and the General Assembly for planning, programming, and coordination. It is charged with reviewing and recommending priorities among UN programs, guiding the Secretariat on translating legislation into programs, developing evaluation procedures, and making recommendations on where duplication could be avoided. The CPC has 34 members elected by the General Assembly on the basis of equitable geographic distribution among regions. CPC members serve for three-year periods and may serve multiple successive terms. The United States, a member of the CPC from 1974 to 2006, decided not to seek reelection to the CPC for the 2007-2009 term due to the Committee's consistently ineffective, inefficient operation and continued lack of progress on reforming its working methods.

The CPC held its 48th session June 9-July 3, in New York at which the United States participated as an observer. The session focused primarily on approving the Strategic Framework for 2010-2011. The Strategic Framework, composed of the Plan Outline and the Biennial Program Plan, is the United Nations' principal policy directive and the basis for preparation of the 2010-2011 budget. The CPC also discussed some coordination, evaluation, and oversight issues, including a report by the UN Office of

Internal Oversight Services on Political Affairs, the report of the UN System Chief Executives Board for Coordination, and a report on UN system support for the New Partnership for Africa's Development. During the session the CPC accomplished little of substantive value. Further, minimal progress was made to improve the Committee's working methods, as requested in past General Assembly resolutions.

During the Fifth Committee's consideration of the General Assembly agenda item on Program Planning, under which the 2008 CPC report was discussed, the United States stressed that the CPC must do more to ensure that maximum use is made of the resources provided by member states. The United States noted the poor implementation of results-based management in the United Nations thus far and suggested that the CPC could become a champion for better results-based management. The United States also asked other member states to consider whether the mandate of the CPC should be revised to enable it to make recommendations for operational improvements and/or shifts within the programmatic clusters. The U.S. suggestions were met with resistance. In the end the United States joined consensus on the Program Planning resolution. However, the United States continues to believe that much work remains to be done to improve the focus and work of the CPC and it will continue to emphasize that the CPC must ensure effective coordination among the many programs and activities in which the United Nations engages. Support for this position is demonstrated by the fact that of the six seats available for the Western European and Other Group (the United States' regional group), there are four vacant seats.

## **Financial Situation**

The United Nations ended 2008 with members' arrears totaling \$3.49 billion for assessments relating to the UN regular budget, the international war crimes tribunals in the former Yugoslavia and Rwanda, UN peacekeeping operations, and the UN Capital Master Plan. The figure is \$182 million higher than at the end of 2007 when \$3.308 billion was outstanding. The 2008 figure primarily reflects amounts owed for UN peacekeeping operations, which accounted for \$2.9 billion of the total owed at the end of 2008. The total owed for the UN regular budget was \$439.5 million and the amounts owed for the international war crimes tribunals and the Capital Master Plan were \$53 million and \$80 million respectively.

The United States accounted for \$1.377 billion, or 39.5 percent, of the total owed by all UN members at the end of 2008. Most of the U.S. amount, \$860 million, related to UN peacekeeping operations. With respect to the UN regular budget, the United States paid \$316.5 million toward its annual assessment of \$452.6 million by the end of 2008. The United States also paid \$33.9 million of its current-year assessment for the two international war crimes tribunals by December 31. Total U.S. payments in the course of calendar year 2008 for all UN assessments were \$1.974 billion. Most of the U.S. payments, approximately \$1.446 billion, related to assessments for peacekeeping.

In October UN Under-Secretary-General for Management Angela Kane (Germany) reported on the UN financial situation. Ms. Kane, as in past briefings, considered the financial position in relation to four main financial indicators: assessments issued; unpaid assessed contributions; available cash resources; and UN outstanding debt to member states. According to Ms. Kane, cash balances were higher at the end of 2008 than at the end of 2007. By the end of the year, some 133 member states had paid their regular budget assessments in full.

The outstanding \$2.9 billion for peacekeeping operations at the end of 2008 is approximately \$200 million more than the previous year. The debt owed to member states improved in comparison to the prior year but still amounted to \$645 million. This was a decrease from \$779 million in 2007.

Ms. Kane also reported that the financial position of the international tribunals for Rwanda and the former Yugoslavia improved slightly in 2008, with the number of member states paying their assessed contributions in full increasing from 92 at the end of 2007 to 97 by the end of 2008. Unpaid assessments for the tribunals totaled \$53 million in October, an increase from the \$34 million outstanding in December 2007.

Overall, Ms. Kane noted some concern with the financial position of the United Nations based on the organization's cash position and the increase in the number of member states with unpaid assessments for the year. However, there were some positive trends noted including the reduction in the amount of debt owed to member states by the organization.

## **International Civil Service Commission**

The International Civil Service Commission (ICSC), a 15-member body of recognized experts, is responsible for making recommendations on salaries, allowances, benefits, and other conditions of service for employees of the United Nations and its specialized agencies. In 2008 Lucretia Myers, who has been the U.S. member elected to the Commission for the last 13 years, served the third year of her current four-year term.

The ICSC held two sessions in 2008, March 31-April 11 in Addis Ababa, Ethiopia, and July 14-25 at UN Headquarters in New York. The commissioners focused on variety of issues during these sessions and made recommendations on the following limited areas: increasing the level of the education grant in certain regions; increasing the base/floor salary scale for 2009 for professional staff; similarly adjusting the salary scale for general services staff for 2009; and increasing the mobility and hardship allowance as well as the hazard pay benefit.

The Fifth (Administrative and Budgetary) Committee of the General Assembly discussed the 2008 report of the ICSC during the 63rd General Assembly. Based on the discussions in the Fifth Committee, the General Assembly adopted without vote Resolution 63/251 – “United Nations Common System: Report of the International Civil Service Commission” on December 24. This resolution, in addition to requesting information on performance management, acted on the following issues:

- Approved increases to the education grant in several regions
- Reaffirmed the use of a range of 110-to-120 for the margin between the net remuneration of professional staff in New York and staff in comparable positions in the comparator civil service (United States), on the understanding that the margin would be maintained at a level around the midpoint of 115 over a period of time
- Approved a 2.33 percent increase in the UN common system's base/floor salary scale for professional staff to be effective January 1, 2009, on a "no gain-no loss basis" by consolidating a commensurate amount of post adjustment
- Set a flat-rate payment for the children's and secondary dependents allowance
- Increased the hardship and mobility allowance by five percent.

## Joint Inspection Unit

The Joint Inspection Unit (JIU), based in Geneva, Switzerland, is an external oversight body for the entire UN system. The JIU produces reports, notes, management letters, and confidential letters detailing its findings and recommendations. It is accountable to member states through the UN General Assembly and the governing bodies of UN specialized agencies. The JIU is funded from the UN regular budget and the budgets of UN specialized agencies.

The JIU is comprised of 11 inspectors, as well as research and support personnel. According to the JIU statute, the inspectors should be "chosen from among members of national supervision or inspection bodies, or from among persons of a similar competence on the basis of their special experience in national or international administrative and financial matters, including management questions." The inspectors are elected by the General Assembly and limited to serve two five-year terms. On January 1, M. Deborah Wynes (United States) began her second term. For 2008 the unit appointed Even Fontaine Ortiz (Cuba) as the JIU Chairperson and Gérard Biraud (France) as the Vice Chairperson.

The JIU produced the following six reports, four notes, one management letter, and one confidential letter in 2008, as well as a separate document titled "Report of the Joint Inspection Unit for 2007 and Program of Work for 2008." These reports and other information on the JIU are available at: <http://www.unjiu.org/>.

- Review of management and administration in the Universal Postal Union;
- Junior professional officer/associate expert/associate professional officer programs in UN system organizations;
- Management review of environmental governance within the UN system;
- National execution of technical cooperation projects;

- Review of information and communication technology hosting services in the UN system organizations;
- Review of management of Internet Web sites in the UN system organizations;
- Common services at Nairobi;
- Common services at locations of UN Regional Commissions;
- Review of the UN Humanitarian Air Service;
- Corporate consultancies in UN system organizations: overview of the use of corporate consultancy and procurement and contract management issues;
- Review of management and administration in the World Meteorological Organization: additional issues; and
- Follow-up on the Joint Inspection Unit 2004 confidential management letter on the adequacy of internal controls at the World Meteorological Organization.

In March the General Assembly considered the JIU's annual report for 2007 and program of work for 2008. The U.S. Delegate welcomed progress made by the JIU to become a more effective oversight body and encouraged the new chairperson to build upon the efforts of his predecessor. The U.S. Delegate stressed the importance of full implementation of JIU recommendations and expressed concern that in 2007 single-agency reports had an implementation rate of 26 percent and UN system-wide reports had an implementation rate of 38 percent. With respect to the 2008 program of work, the U.S. Delegate emphasized that the JIU should exercise care in its planned reviews of accounting systems, outsourcing, and information technology system so that it does not duplicate studies already planned or underway by the UN Secretariat and the Chief Executives Board for Coordination. On April 3, the General Assembly adopted by consensus Resolution 62/246, which called for full and timely implementation of JIU recommendations by UN organizations, a feasibility study of a web-based system to monitor the status of JIU recommendations, continued coordination with the Board of Auditors and the Office of Internal Oversight Services, and continued focus by the JIU on issues of system-wide interest and relevance.

## Joint Staff Pension Board

The General Assembly established the UN Joint Staff Pension Fund in Resolution 248 (III) (1948) to provide retirement, death, disability, and related benefits for staff in the UN system and other participating organizations. In 2008 the fund had 22 member organizations.

The Joint Staff Pension Board governs the Fund and consists of 33 people, 12 from the United Nations (four selected by the General Assembly, four by the Secretary-General, and four by the participants) and 21 from other participating organizations (comprised of representatives selected by governing bodies, executive heads, and participants). The Board meets annually. The 2008 session was held July 10-18 at the International Fund for Agricultural Development in Rome, Italy.

According to the 2008 Pension Board Report, the Fund had 106,566 active participants as of December 31, 2007, compared to 98,431 at the end of 2006. This represents a historic 8.3 percent increase in the Fund's active participant population over the previous year. The increase was due in large part to the membership of the International Organization for Migration, which joined the Fund on January 1, 2007, adding 2,059 new participants. As of December 31, 2007, the Fund was paying 58,084 periodic benefits.

As of March 31, 2008, the market value of the Fund's assets was \$40.6 billion. This represents a decrease of \$1.1 billion, or 2.7 percent, from December 31, 2007, when the Fund's asset value stood at \$41.7 billion. Despite the financial crisis the real annual rate of return was 7.1 percent over the biennium, more than double the long-term objective. The Fund remains highly diversified, with investments in 34 countries and 16 currencies.

In the fall of 2008 the Fifth Committee considered the Board's report as well as reports by the Secretary-General and the Advisory Committee on Administrative and Budgetary Questions. In a statement to the Fifth Committee, the U.S. Delegate expressed pleasure at the surplus in the Fund and urged the Board to continue a policy of fiscal responsibility by preserving the surplus, commended the Board for establishing a working group to look at the future of the Fund, and welcomed the application of the Special Tribunal for Lebanon to join the Fund. The United States also called for a measure to recover stolen UN funds from pension beneficiaries convicted of defrauding UN organizations, but was not successful in achieving agreement to include resolution language thereon.

On December 24, the Fifth Committee adopted Resolution 63/252 on the report of the Joint Staff Pension Board by consensus. The resolution approved an increase of \$2.2 million in the budget for the management of the UN Joint Staff Pension Fund, while noting that the revised estimates for 2008-2009 would amount to a total of \$153.2 million. It also admitted the Special Tribunal for Lebanon as a new member of the Fund, effective January 1, 2009, and took note of the status of implementation of Resolution 62/241 regarding a one-time exceptional payment to retirees residing in Ecuador.

## **Scale of Assessments and Related Issues**

At its 63rd session, the General Assembly considered the requests of seven UN members for temporary exemption from the loss of vote provision of Article 19 of the UN Charter. Article 19 prescribes that a member of the United Nations which is in arrears to the organization shall have no vote in the General Assembly if the amount of its arrears equals or exceeds the amount due from it for the two preceding years. The General Assembly may nevertheless permit such a member to vote if it is satisfied that the failure to pay is due to conditions beyond the control of the member.

The General Assembly adopted by consensus Resolution 63/4, which granted temporary exemption from loss of voting rights to seven UN member states: Central African Republic, Comoros, Guinea-Bissau, Liberia, Sao Tome

and Principe, Somalia, and Tajikistan. The United States joined consensus in adoption.

The General Assembly deferred until the 63rd resumed session (to be held in early 2009) consideration of the methodology to be used in preparation of the scale of assessments for 2010-2012 and did not provide any additional guidance to the Committee on Contributions in this regard. The UN scale of assessments is adopted by the General Assembly for a three-year period. The next scale will be decided in late 2009.